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RUEHIL/AMEMBASSY ISLAMABAD 0267  
RUEHRO/AMEMBASSY ROME 0001  
RUEHMIL/AMCONSUL MILAN 0001  
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RUEHBS/USEU BRUSSELS 0010  
RUEHRN/USMISSION UN ROME 0001  
RUEHROV/AMEMBASSY VATICAN 0001  
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SUBJECT: ITALIAN PM PRODI LEADS LARGEST EVER TRADE MISSION TO KOLKATA

¶1. (SBU) Summary. February 11-12, Italian Prime Minister Romano Prodi visited Kolkata with over 300 business representatives, Italian Commerce Minister Emma Bonino and other senior government officials as part of a "global strategy to open new markets in Asia." The delegation consisted mostly of Small and Medium Enterprises (SMEs) because, as Commerce Minister Bonino noted, they constitute almost 90 percent of Italy's economy. The Italian businesses met with representatives of over 360 local Indian companies, conducting more than 2,000 individual meetings. The delegation focused on agro-business, marketing of products for leather manufacture, jewelry, furniture and textiles. These businesses were also backed by senior officials from the Associazione Bancaria Italiana (ABI), which is providing Euro 2.6 billion in financing for Italian SME exports and joint ventures, and by Confindustria, the Association of Italian Industries. In Prodi's remarks at Calcutta University, where he received an honorary doctorate in science and at a seminar hosted by the Federation of Indian Chambers of Commerce and Industry (FICCI), the Italian PM outlined a broad vision of Italy capitalizing on being part of the European Union (EU) -- a market larger than the U. S. -- to develop commerce with India and Asia. Bringing the largest international business delegation ever to visit Kolkata, with the key financiers needed to close deals, was a strong indication of Prodi's apparent seriousness in implementing his vision of more Indo-Italian trade as part of a greater EU engagement with Asia. End Summary.

¶2. (SBU) Italian Commerce Minister Bonino described the presence of the largest business delegation ever to Kolkata as a

"global strategy to open new markets in Asia." As a result of its presence in the EU, Italy now sees Europe as a domestic market and wants to expand to emerging markets in Asia. The Italian government and businesses, many of them SMEs, see potential to develop markets especially in India. As Bonino noted, India's middle class is five times that of Italy's entire population. Kolkata and East India offer opportunities because of the number of existing commercial relations, such as in agro-business, leather, jewelry, furniture and textiles. The over 300 Italian business people met with representatives of 360 local Indian companies, conducting more than 2,000 individual business meets. Given the strong commercial potential, the Italian government was planning to open a new commercial office in Kolkata by the end of 2007.

13. (U) In the agro-business sector, eight MOUs will be signed during the delegations visit to India, which includes also Mumbai and New Delhi. Kolkata was a key destination as West Bengal is a major agricultural producer, leading in rice production and vegetables, and also is a major producer in the fisheries sector. Representatives from the Parma food cluster shared their experiences to facilitate setting up food clusters in West Bengal and Italian consultant Octagon will conduct a market survey of food processing in West Bengal to be completed by June 2007.

14. (SBU) Bonino noted Italy also wanted to sell equipment for the leather sector as West Bengal is a major leather producer and has a great demand for modern leather production equipment. The recently established 1100-acre Calcutta Leather Complex (CLC) is a Special Economic Zone (SEZ) for leather and allied industries. CLC has a total tanning capacity of 1,000 tons using 30 million liters of water a day. It has a state-of-the-art central effluent treatment plant. According to the Directorate-General of Commercial Intelligence and leather good. Of this, 25 percent is processed in West Bengal. Kolkata also accounts for 55 percent of India's domestic production. In addition, the Italian government will assist in setting up a design and leatherwork training facilities at the CLC.

15. (U) Jewelry also offers significant opportunities. According to the Indian Gem and Jewelry Export Promotion Council, India exported USD 16.8 billion worth of jewelry in 2005. West Bengal exported USD 260 million and of that USD 195 was produced and exported from Manikanchan, established in 2003 as India's first jewelry SEZ. Again, Manikanchan presents opportunity for Italian companies to export equipment and expertise, especially in the area of modern jewelry designs and low-carat jewelry items. Bonino commented that closer commercial links to the Indian companies would present opportunities to offshore production for greater efficiencies and competitiveness for Italian businesses.

16. (U) The Italian businesses will be supported by financing from the Associazione Bancaria Italiana (ABI). According to ABI General Manager Giuseppe Zadra, ABI has arranged Euro 2.6 billion in financial instruments guaranteed by the Italian national insurance scheme to finance the SME's up to Euro 200 million for business ventures in India. Societ` Italiana per le Imprese all'Estero (SIMEST), the development finance institution dedicated to supporting and promoting the activities of Italian companies abroad, will also provide funds to the SMEs through a Euro 300 million "Go India Fund." In addition, President of the Council of Small Industries of Confindustria Giuseppe Morandini said that his organization would assist the small businesses in overcoming the government red tape, both Italian and Indian.

¶7. (SBU) During his remarks on receiving an honorary doctorate from Calcutta University and at the "Indo-Italian Synergy: Destination West Bengal" business seminar, Prodi emphasized that Italy's engagement with India was part of a broader EU context. While Calcutta University Chancellor and West Bengal Governor Gopal Krishna Gandhi, grandson of Mahatma Gandhi, spoke grandly of India's natural affinity for the great history and culture of Italy, Prodi rather spoke of the rising dominance of the EU. Prodi noted that with the recent addition of Romania and Bulgaria to the EU, its population was close to half a billion -- a far larger market than the U.S. The Euro was also a strong and increasingly dominant international currency, one which China and India were now holding in addition to the U.S. dollar.

Prodi also emphasized the EU's commitment to principles of human rights, tolerance, democracy and peace -- principles shared with India. Prodi saw Italy as being the bridge for the EU with Asia. He commented that shipments from Asia could arrive in Italy within five days, a much shorter period than required for reaching ports in Northern Europe.

¶8. (SBU) Comment: While much was made of historic Indo-Italian amity, with frequent references to Italian travelers like Marco Polo and Niccolao Manucci, rhetoric aside, the Italian visit to Kolkata appeared to generate tangible results for some of the businesses that participated. Bonino and others focused on the gains for Italy in developing commerce with India, whereas Prodi spoke more of the EU's potential as a trade partner, possibly reflecting his past as the President of the European Commission. EU that would be the most important trading partner for India. Evident in the tone and direction of Prodi's comments was his position that the EU was a greater potential market and, with the increasing importance of the Euro, a more important financial partner than other potential suitors, such as the U.S., China or Russia.

JARDINE